

STATE OF MAINE  
OFFICE OF SECURITIES  
121 STATE HOUSE STATION  
AUGUSTA, ME 04333

IN RE:

Paul A. Dyer

CONSENT ORDER  
07-031-COR

PROCEDURAL BACKGROUND

On May 23, 2008, the Securities Administrator issued a Notice of Intent under 32 M.R.S.A. §§16412 and 16604 to revoke Paul A. Dyer's agent and investment adviser representative licenses, order Dyer to cease and desist filing false or misleading records with the Securities Administrator, and bar Dyer from association with any issuer, broker-dealer or investment adviser in Maine. Dyer timely requested a hearing.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Dyer (CRD # 3131390) is an individual whose last known office address is 15 Phillips Road, Bangor, ME 04401.
2. On December 14, 2004, Dyer became licensed in Maine as a broker-dealer agent (formerly known as a sales representative) of Intersecurities, Inc. ("Intersecurities"), a Florida-based broker-dealer and investment adviser. On March 7, 2007, Dyer also became licensed in Maine as an investment adviser representative of Intersecurities.
3. At the time of the conduct discussed below, Dyer held a Resident Insurance Producer License (No. PRR12598) and a Resident Insurance Consultant License (No. COR56235) issued by the Maine Bureau of Insurance.
4. At the time of the conduct discussed below, Dyer conducted his securities and insurance business under the name of Legacy Insurance and Financial Advisors, Inc.
5. In or about May 2005, Benjamin Russell and his wife, Joyce Russell, met Dyer when Dyer sponsored a free dinner seminar at a restaurant in Bangor, Maine. Following the seminar, Dyer met with the Russells several times at their home in

Eastport, Maine, and in Dyer's offices in Bangor, Maine, to discuss the Russells' finances.

6. On May 24, 2005, Benjamin Russell signed, on behalf of himself and his wife, a "Consultant Agreement" with Legacy Insurance & Financial Advisors, Inc. Dyer signed as the "consultant" for Legacy Insurance & Financial Advisors, Inc. Under the agreement with the Russells, Dyer agreed to "review his/her insurance programs, estate and financial plans and offer any advice, counsel, opinion or service with respect to the benefits, advantages, or disadvantages of the clients [sic] current plans or needs...and to prepare, in duplicate, a final written report incorporating the consultants [sic] advice, counsel or opinion in regards to such needs."

7. After receiving Dyer's financial plan, the Russells agreed to follow many of Dyer's recommendations. Dyer, acting as an agent for the Russells, implemented much of the plan for them in his capacity as an insurance producer and an agent of a broker-dealer.

8. On September 5, 2007, in connection with an examination of Dyer's office in Bangor, the Office of Securities (the "Office") obtained a copy of a letter to Dyer by Benjamin Russell complaining about, among other things, the accuracy of certain information contained in quarterly investment reports received by Mr. Russell.

9. Following up on Mr. Russell's complaint letter, on September 26, 2007, an examiner with the Office spoke by telephone with Mr. Russell and his wife, Joyce Russell, who were both on the line during the call, to obtain a better understanding of the issues Mr. Russell had complained about in his letter. During the phone call, the Russells told the examiner about an incident involving Dyer. They said that Dyer had called The Hartford claiming to be Mr. Russell in order to obtain information about a Hartford variable annuity they owned through the Russell Family Revocable Trust ("Russell variable annuity"). The Russells said they learned about the call because a customer service representative ("CSR") from The Harford called Mr. Russell to follow-up on "his" request for information. The Russells said they realized that it was Dyer who made the call to The Hartford when the CSR provided the facsimile number supplied by the caller. It was the facsimile number to Dyer's office.

10. At the time Dyer made the call to The Hartford to inquire about the Russell variable annuity, he was not listed as the agent on the account.

11. On October 18, 2007, Intersecurities filed an application to terminate Dyer's affiliation with Intersecurities as an agent and investment adviser representative of Intersecurities. The application indicated that Dyer had been discharged by

Intersecurities on October 4, 2007, for “failing to follow firm policies and procedures, including the use of unapproved advertising.”

12. On November 6, 2007, the Office received an application from Brookstone Capital Management LLC (“Brookstone”), an SEC-registered and Maine-notice-filed investment adviser, for Dyer to become licensed as an investment adviser representative for Brookstone.

13. In connection with Dyer’s pending investment adviser representative application, on December 12, 2007, the Office sent a letter to Brookstone in which it asked that Dyer respond to the Russells’ allegations that he had called The Hartford and pretended to be Mr. Russell to obtain information about the Russell variable annuity.

14. Dyer responded to the Office’s request by letter dated January 7, 2008, in which Dyer stated: “I only contacted the [sic] Hartford with the Russell’s [sic] in the room and with their blessing.”

15. On February 22, 2008, the Office mailed to Brookstone and Dyer copies of audio recordings made by The Hartford, including a recording of a January 2, 2007, call made by Dyer to The Hartford in which he identified himself as Benjamin Russell and provided Mr. Russell’s Social Security number to verify his identity as Mr. Russell. In the call with The Hartford, Dyer sought and obtained information about the Russell variable annuity. The Office asked Dyer to respond further to the Russells’ allegations after he had listened to the recordings.

16. On March 12, 2008, Dyer sent the Office a letter in which he acknowledged that he made the January 2, 2007, call to The Hartford in which he claimed to be Benjamin Russell. In the letter, Dyer stated that on December 14, 2006, he had a telephone conversation with Mr. Russell during which Mr. Russell instructed him to “call and be me since you have all of my information,” to which Dyer replied, “ok I will.” In the same letter, Dyer stated: “My mistake was not making the phone conference call with him. My second error was not doing it the same day or at least the very next day....Unfortunately over two weeks went by before I got around to the task of calling which started the claim [sic] of events that followed.”

17. According to Benjamin Russell, Russell did not tell Dyer to call The Harford and pretend to be him, nor did he give Dyer permission to call The Hartford and pretend to be him, nor did he have advance knowledge that such a call was going to be made.

18. On March 27, 2008, Brookstone filed an application to withdraw Dyer's pending investment adviser representative application. Dyer's application remained pending until April 24, 2008, at which time the Office allowed it to be withdrawn.

19. Pursuant to 32 M.R.S.A. §16604, if the Securities Administrator ("administrator") determines that a person has engaged in an act constituting a violation of the Maine Uniform Securities Act, the administrator may issue an order directing the person to cease and desist from engaging in the act and may bar the person from association with any issuer, broker-dealer or investment adviser in the State.

20. Pursuant to 32 M.R.S.A. §16505, it is unlawful for a person to make in a record that is filed under the Maine Uniform Securities Act ("MUSA") a statement that, at the time and in the light of circumstances under which it is made, is false or misleading in any material respect.

21. Dyer made a false statement in a record filed under MUSA in connection with his investment adviser representative license application by stating in letters to the Office that when he had called The Hartford and pretended to be Mr. Russell, it was with the Russells in the room.

22. By falsely representing to the Office that when he called The Hartford and pretended to be Mr. Russell, it was with the Russells in the room, Dyer violated the Maine Uniform Securities Act, specifically 32 M.R.S.A. §16505, and thus engaged in unlawful, dishonest, or unethical acts in the securities business.

23. Maine insurance law prohibits a regulated insurance producer or consultant from using fraudulent or dishonest practices. 24-A M.R.S.A. §1420-K(1)(H). Dyer committed fraudulent or dishonest practices and thus engaged in unlawful practices in the insurance business when he impersonated Benjamin Russell in the telephone call to the Hartford on January 2, 2007. *See In re: Paul A. Dyer*, Maine Bureau of Insurance No. INS-08-215, Amended Decision and Order of Nov. 18, 2008 (reaching same conclusion and ordering Dyer's insurance licenses suspended).

24. Pursuant to 32 M.R.S.A. §16412(2), (3) & (4)(M), the administrator may take disciplinary action, including conditioning or limiting an agent and/or investment adviser representative license and imposing a bar order, against a person who has engaged in unlawful, dishonest, or unethical practices in the securities or insurance business.

25. The below order is in the public interest.

## ORDER

1. Dyer is barred from acting as an investment adviser, obtaining an ownership interest in an investment adviser, or associating with any issuer, broker-dealer, or investment adviser in Maine until October 1, 2011.

2. Should Dyer apply to become licensed in Maine as an agent, investment adviser, or investment adviser representative on or after October 1, 2011, any such license shall be subject for a two-year period to the following restrictions:

a. Dyer will not act in any principal, supervisory, or managerial capacity for a broker-dealer;

b. Within 15 days after learning of any investigation, proceeding, or written or oral customer complaint against him arising out of activities in the securities or insurance industry, Dyer will send written notification to the Office of Securities of the investigation, proceeding, or complaint;

c. Dyer will designate to the Office of Securities a person or persons other than Dyer who will open all mail directed to Dyer's office and ensure that the person opening the mail maintains a complete and accurate log of all customer complaints received by mail arising out of Dyer's activities in the securities or insurance industry;

d. Dyer will not exercise discretionary trading authority in the account of any Maine customer without the prior written consent of the Office of Securities;

e. Dyer will not make any record entries using identifying information of another person and will not permit other persons working with him to make any record entries using his identifying information;

f. In the conduct of his business activities, Dyer will not represent that he is anyone other than himself and will immediately correct any inaccurate understanding of which he is aware as to his identity; and

g. Should Dyer apply to become licensed as an agent of a broker-dealer, Dyer shall: (1) ensure that his broker-dealer will undertake supervision of him by a person who is licensed as an agent with the State of Maine and registered with FINRA as either a General Securities Principal or an Investment Company Products/Variable Contracts Limited Principal; (2) promptly inform the Office of Securities of any change in the identity of the individual at the broker-dealer who

is responsible for the exercise of his supervision; (3) ensure that his supervisor will review on a weekly basis all of his accounts and transactions to ensure that each transaction is suitable for the customer, including any transactions involving the exchange of one securities product for another securities or insurance product; (4) obtain his broker-dealer's written agreement to the above supervisory requirements; and (5) provide a copy of any such written agreement to the Office of Securities.

Failure to adhere to the above restrictions will constitute grounds for the Securities Administrator to deny Dyer's license application, revoke Dyer's license or take any other available action.

In any future action taken concerning Dyer's license(s), except for an action for breach of this Consent Order, the Office of Securities agrees to take no further action adverse to Dyer based solely on the terms of this Consent Order, the allegations contained in the Notice of Intent or any other information known to the Office of Securities as of the date of this Consent Order, provided, however, that nothing in this Consent Order shall preclude the Office of Securities from: (a) taking licensing action based on other allegations and, at least in part, information not known to the Office of Securities as of the date of this Consent Order; or (b) taking this Consent Order, the underlying allegations, and all information into account in determining the proper resolution of licensing action based on such other allegations and information.

Without admitting any of the above findings of fact or conclusions of law, Respondent Paul A. Dyer ("Dyer") agrees to the entry of this Consent Order and waives his right to a hearing and to judicial review.

Date: December 10, 2008

s/Paul A. Dyer  
Paul A. Dyer

Date: December 15, 2008

s/Judith M. Shaw  
Judith M. Shaw  
Securities Administrator